INFORMATION BULLETIN

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Application of the 3% Tax on Lodging in the Gaspésie tourist region and continuation of the tax assistance for the production of shows

This information bulletin is to make public the application of the 3% tax on lodging in the Gaspésie tourist region as of July 1, 2008 following a request to that effect made by the region's tourist association. It also clarifies the application of the tax assistance for the production of shows.

For information regarding the matters dealt with in this information bulletin, contact the Secteur du droit fiscal et de la fiscalité at 418 691-2236.

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Finances Québec

1. APPLICATION OF THE 3% TAX ON LODGING IN THE GASPÉSIE TOURIST REGION

The government has set up a tourist partnership fund to strengthen and sustain tourist promotion and development in Québec. The fund is financed in part by a tax on lodging applicable to each accommodation unit rented in a sleeping-accommodation establishment located in a Québec tourist region which requests the government accordingly through its regional tourist association (RTA).

RTAs that want the tax on lodging to apply in their territory can choose between a specific tax of $2 per overnight stay or an *ad valorem* tax of 3% of the price of each overnight stay.

The revenue generated by this tax, after deducting the costs of its administration, are remitted to the participating regions and the amounts thus remitted are used in accordance with the terms and conditions agreed to in a memorandum of understanding between the ministère du Tourisme and the RTAs of these participating regions.

Since July 1, 2003, the specific tax on lodging of $2 per overnight stay has applied in the Gaspésie tourist region. Further to a request submitted by the region's RTA, the specific tax of $2 per overnight stay will be replaced, as of July 1, 2008, by the *ad valorem* tax of 3% of the price of each overnight stay.

However, where a customer acquires an accommodation unit from a person who acquired the unit from another person solely to re-supply it for a price, the tax on lodging will not be 3% of the price of each overnight stay but rather $3 per overnight stay. In such a case, the application of a specific tax of $3 instead of an *ad valorem* tax of 3% enables the tax on lodging pre-collection system to be applied, ensuring the direct nature of the tax while simplifying its administration entrusted essentially to operators of sleeping-accommodation establishments.

Accordingly, the operator of a sleeping-accommodation establishment located in the Gaspésie tourist region will have to collect or pre-collect the 3% or $3 tax on lodging, as the case may be, regarding an accommodation unit rented in his establishment that he invoices after June 30, 2008 for occupation after that date.

However, the operator of a sleeping-accommodation establishment will not have to pre-collect the $3 tax in respect of accommodation units billed to a travel intermediary where the price of these units has been set under an agreement reached before July 1, 2008 between the operator and the intermediary, and their occupation by tourist customers takes place between June 30, 2008 and April 1, 2009. In such circumstances, the operator will continue to be required to pre-collect the existing $2 tax.

2. CONTINUATION OF THE LEVEL OF TAX ASSISTANCE FOR THE PRODUCTION OF SHOWS

The refundable tax credit for the production of shows applies to the labour expenditure attributable to services supplied for the production of eligible shows. The tax credit is equal to 29.1667% of the amount of eligible labour expenditures, which are, however, limited to 45% of the production expenses of the show. Furthermore, the tax credit, for an eligible show, may in no event exceed $750 000.

In addition, in the March 13, 2008 Budget Speech, the rate and the cap of the refundable tax credit for the production of shows were reduced linearly based on the total assets, calculated on a consolidated basis, of the corporation producing a show.[1]

Briefly, the rate of the refundable tax credit for the production of shows is 29.1667% and the cap is $750 000 for a taxation year, where such total assets are equal to or less than $50 million for the preceding taxation year, which rate and cap are reduced linearly until they reach zero where total assets reach $75 million.

The purpose of this change was to provide tax assistance for shows whose creation truly needed support. In light of new data, it appears that such limits instead jeopardize achievement of the primary objective of the tax credit, i.e. the consolidation of Québec's show business industry, by enabling the production of shows with larger budgets and supporting job creation.

Consequently, the change to the rate and cap of the refundable tax credit for the production of shows announced in the March 13, 2008 budget will be withdrawn and the level of tax assistance, as it existed prior to this change, will be maintained.

Lastly, this decision does not call into question the eligibility of circus shows, aquatic shows and ice shows that was also announced in the March 13, 2008 budget.[2]

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1 GOUVERNEMENT DU QUÉBEC, 2008-2009 Budget, Section A, *Additional Information on the Budgetary Measures*, p. 110.

2 *Supra*, note 1.